

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

19 November 2008

### Report of the Director of Finance

#### Part 1- Public

#### Matters for Information

#### 1 UPDATE ON ICELANDIC BANK DEPOSIT

**This report updates Members as to the latest position regarding the investment deposit with the Icelandic bank, Landsbanki.**

#### 1.1 Background

- 1.1.1 Members are aware from briefing notes that the Council has an investment deposit of £1 million with the Icelandic bank Landsbanki which was due to mature on 30 October 2008.
- 1.1.2 Not unexpectedly, the deposit was not repaid on 30 October and the contract is now in default.
- 1.1.3 As Members will be aware from various articles in the press, around 123 local authorities have deposits with Icelandic banks totalling some £920 million – the largest value of which is with Landsbanki. The Local Government Association (LGA) is working on behalf of the many authorities concerned, and has held a number of meetings with the Treasury.

#### 1.2 Latest position

- 1.2.1 As I mentioned above, the contract is now in default as the deposit was not repaid on the due date. My staff have followed the necessary administrative processes and registered this Council's interest.
- 1.2.2 Landsbanki is presently in Icelandic receivership. The Icelandic government has created a "New" Landsbanki which is operating within Iceland only. The bank which holds our deposit is now being known as Old Landsbanki.
- 1.2.3 The accountancy firm Deloitte and Touche has been appointed to act on behalf of the creditors of Old Landsbanki as well as 'Old' Glitnir and 'Old' Kaupthing – the other banks that are in Icelandic receivership. Deloitte and Touche intend to hold informal meetings of the full creditor committees for each bank and will be seeking a limited number of representatives from authorities affected.

1.2.4 A meeting was arranged by Kent County Council and the London Borough of Barnet on Thursday 6 November for all those authorities who have deposits with either Old Landsbanki, Old Glitnir or Old Kaupthing banks. The purpose of the meeting was to:

- 1) review information received to date from Deloitte about the administration process, including what ground the first creditor meeting is likely to cover, and any decisions it might take;
- 2) discuss the composition of the steering committee for each bank, and confirm the local government representatives that will attend the meetings in Iceland;
- 3) agree a set of common principles that the local authority creditor representatives attending the meeting(s) next week will need to promote.

A representative from Tonbridge & Malling Borough Council attended the meeting on 6 November and due to the timing of this report, Members will be informed of any feedback at Cabinet on 19 November.

1.2.5 In terms of action by the Treasury, the LGA has been provided with the following update:

*“Following conversations between the Chancellor and Icelandic Prime Minister, a delegation of officials from the Treasury and Bank of England held discussions with the Icelandic authorities. The recent round of discussions has ended but talks are not over and will be continued in the very near future. The aim of these is to agree a mechanism whereby the Icelandic government can honour its obligations to UK depositors and ensure the fair treatment of UK creditors.”*

1.2.6 Members are already aware that I wrote to both The Treasury and the Minister for Local Government shortly after the banks collapsed. I received the attached response at **[Annex 1]** from John Healey MP on his own behalf, and also on behalf of the Rt Hon Alistair Darling MP.

1.2.7 Members are also advised that I wrote to both of our local MPs shortly after the collapse. My latest exchange with Sir John Stanley is attached at **[Annex 2]** for information.

### **1.3 Legal Implications**

1.3.1 The contract with Landsbanki is now in default. The Council is registered as a creditor and will take any action needed to protect its position.

### **1.4 Financial and Value for Money Considerations**

1.4.1 At the present time, there are no major cash flow issues arising as a result of this default. The Council has sufficient in its reserves to ensure that services are provided as normal.

1.4.2 If the deposit is not repaid in due course, the Medium Term Financial Strategy will need to be reviewed to accommodate the 'loss'. However, it is far too early to predict this worst case scenario.

## **1.5 Risk Assessment**

1.5.1 The Council is ensuring that all processes are followed to protect the Council's interests.

Background papers:

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Nil

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